



Canadian Manoir

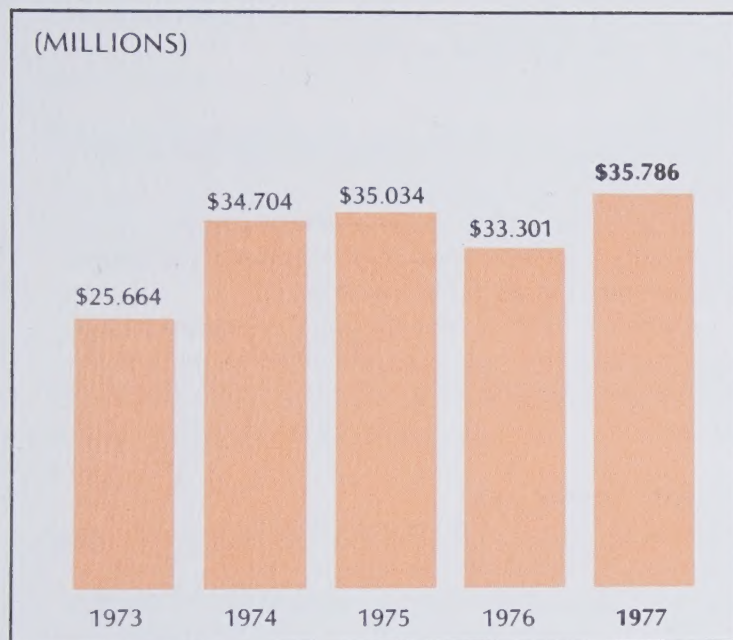
INDUSTRIES LIMITED

Annual Report 1977

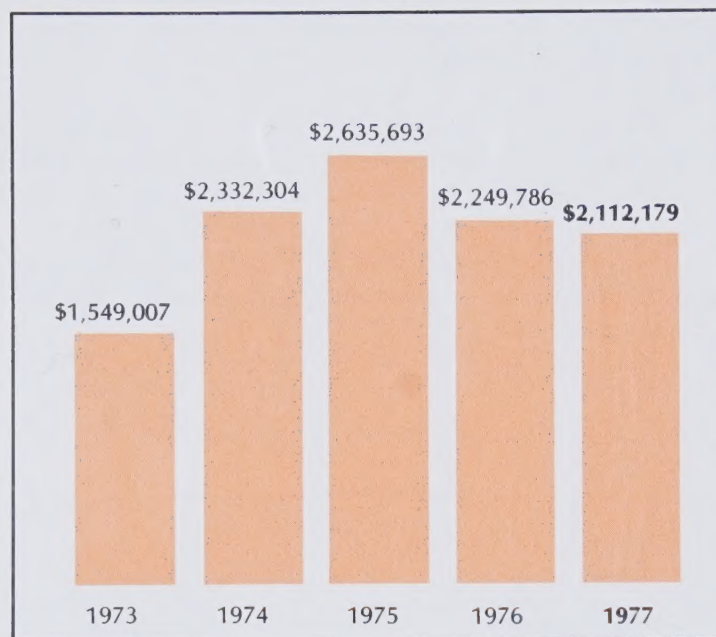
Five-year statistical review

	1973	1974	1975	1976	1977
Revenue	\$25,664,024	\$34,704,345	\$35,033,791	\$33,300,981	\$35,786,342
Net Income for the Year	1,549,007	2,332,304	2,635,693	2,249,786	2,112,179
Earnings Per Share	94¢	1.41	1.59	1.35	1.27
Working Capital	3,792,839	5,250,736	6,039,153	7,893,151	9,237,704
Tangible Equity Per Share	2.74	3.95	5.28	6.31	7.27

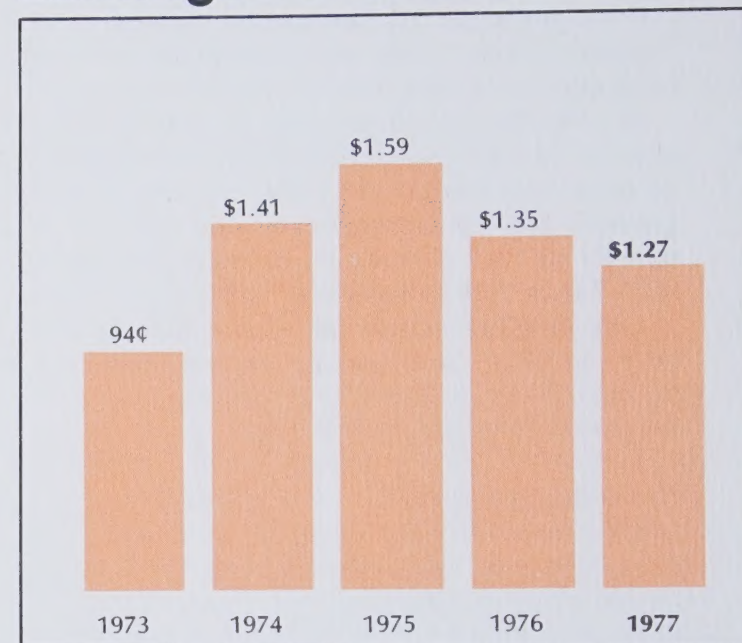
Revenue



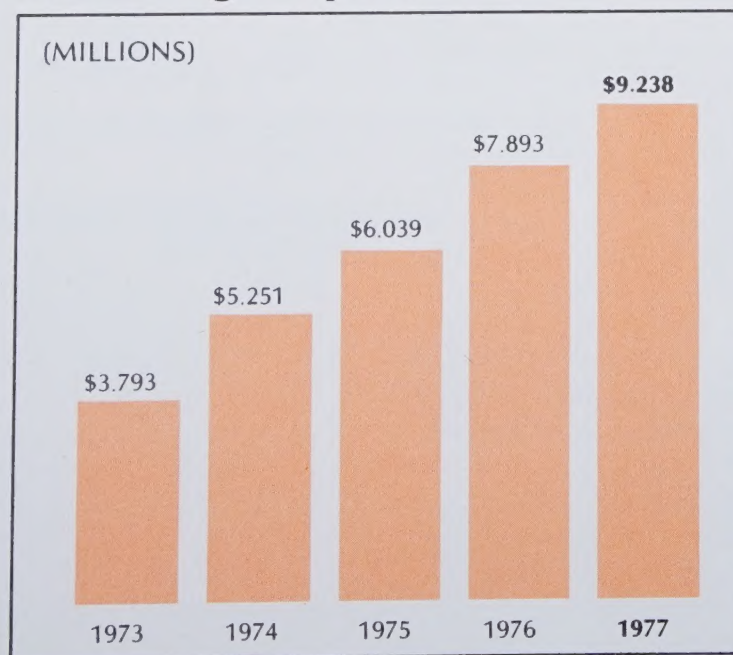
Net Income



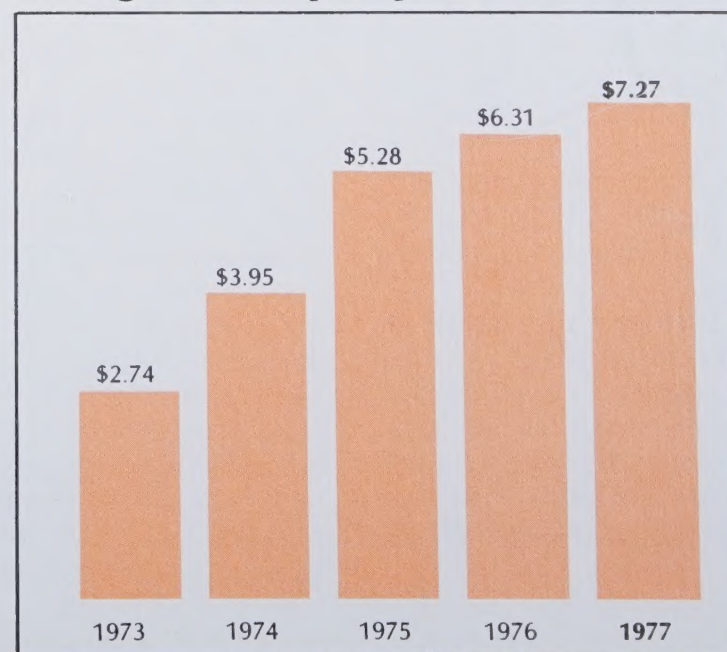
Earnings Per Share



Working Capital



Tangible Equity Per Share



Message to the Shareholders

Net income for the year was \$2,112,179 as compared with \$2,249,786 in 1976. The decline in income is primarily attributable to reduced sales at General Freezer in line with general industry conditions and continuing losses at Maso Import.

As you may recall, the net income for the first quarter of 1977 was sharply lower than for the comparative period in 1976. As the year progressed, this differential narrowed and the final quarter of 1977 showed an increase of 16% from \$571,734 in 1976 to \$666,242 in 1977.

Our tangible equity per share increased from \$6.31 to \$7.27 and working capital increased by \$1,344,553 to \$9,237,704 or \$5.55 per share. All long-term debt was repaid in 1977.

MANUFACTURING

1977 was another difficult year for freezer manufacturers. Over the year, industry sales declined by 20% following a 24% reduction in 1976 compared with 1975. In the face of intense competition, General Freezer maintained their market share and all personnel at General Freezer are to be congratulated on their ability to cope with difficult marketing problems.

We have confidence in the long-term future of the freezer industry and, to this end, we have embarked upon an expansion and development programme costing approximately \$1,000,000. This expenditure is to enable us to initially manufacture a complementary line of foam freezers in addition to our present line. We believe that the new line of freezers will enable us to achieve greater market penetration.

During the year, General Freezer was appointed the Ontario distributor for the Belanger, Findlay and Gurney line of appliances. These products include refrigerators, electric ranges, dishwashers, microwave ovens and automatic washers and dryers manufactured by BFG Industries Ltd. and have already proved to be an advantageous addi-

tion to the freezer line manufactured by General Freezer.

In 1977 the management of General Freezer concluded negotiations for a new two year union contract.

The sales of furnaces by Olsen and Duo-Matic, combined with the sales of the Duo-Matic combination furnaces by Manoir International, Inc. in the United States, continued to show good growth.

In the latter part of the year, two new furnaces were introduced — a wood/oil furnace and a wood burning furnace.

These models are complementary to our existing furnaces, and will augment the furnace line to provide better marketing opportunities in the future.

Olsen and Duo-Matic each enjoy a significant market share in their respective spheres. In 1977, the facilities at Olsen were expanded and additional equipment installed. This increases the capacity of Olsen and provides for savings in manufacturing. Furthermore, this affords us the capacity to manufacture combination furnaces at both plants.

TRADING

Maso Import continued to operate at a loss and our expectations for the second six months were not realized. This was due in part to the steep decline in the value of the Canadian dollar compared particularly to the yen coupled with a slow economy especially in Montreal.

Sales of Duo-Matic furnaces and wholesale compressors have been major contributions to a very successful year for Manoir International, Inc. Manoir continues to expand its network of wholesalers and in 1978 is introducing a line of condensing units which should enable it to further expand its distribution outlets.

Manoir International (Canada) Ltd., together with other compressor importers, is currently subject to an investigation by the Anti-Dumping Tri-

bunal. It is still too early to predict the outcome of this enquiry, but we believe that it will have no material adverse effect on the operations of Manoir International (Canada) Ltd.

SERVICE

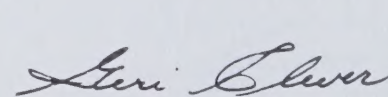
During the year, Eastern Sound Company Limited was sold at a modest gain.

The television film service group continued its contribution to the overall net income of the group at, however, a marginally lower level.

In May of 1977, a new division — Audio Image Communications — was established to service the rapidly expanding field of audio-visual communications.

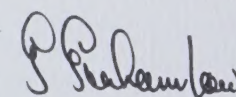
MANAGEMENT

As of January 1, 1978, Mrs. G. Clever was appointed Chairman of the Board, Mr. G. Grahamslaw was appointed President and Mr. John Burton Vice-President of Manufacturing and Marketing. Mr. Burton has been with the group for ten years, and has for the last three years been responsible for the manufacturing group.



Geraldine Clever
Chairman

Toronto, Ontario
March 15, 1978



Gordon Grahamslaw
President

Consolidated Statements of Income

For the years ended December 31, 1977 and 1976

	1977	1976
REVENUE FROM SALES AND SERVICES (Note 9)	\$35,786,342	\$33,300,981
COST OF SALES AND SERVICES	27,326,744	24,152,717
Gross Profit	\$ 8,459,598	\$ 9,148,264
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	5,038,473	5,023,891
Income before provision for income taxes, and extraordinary item	\$ 3,421,125	\$ 4,124,373
PROVISION FOR INCOME TAXES	1,378,496	1,798,844
Income before extraordinary item	\$ 2,042,629	\$ 2,325,529
EXTRAORDINARY ITEM (Note 5)	69,550	(75,743)
Net income for the year	\$ 2,112,179	\$ 2,249,786
 EARNINGS PER SHARE BEFORE EXTRAORDINARY ITEM	 \$ 1.23	 \$ 1.40
 EARNINGS PER SHARE AFTER EXTRAORDINARY ITEM	 \$ 1.27	 \$ 1.35

The accompanying notes to consolidated financial statements are an integral part of these statements.

Auditors' Report

To the Shareholders of
Canadian Manoir Industries Limited

We have examined the consolidated balance sheets of CANADIAN MANOIR INDUSTRIES LIMITED (incorporated under the Canada Corporations Act) AND SUBSIDIARIES as of December 31, 1977 and 1976, and the related consolidated statements of income, shareholders' equity and changes in financial position for the years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated financial statements present fairly the financial position of Canadian Manoir Industries Limited and Subsidiaries as of December 31, 1977 and 1976, and the results of their operations and the changes in their financial position for the years then ended in accordance with generally accepted accounting principles consistently applied during the periods.

Signed: ARTHUR ANDERSEN & CO.
CHARTERED ACCOUNTANTS

Toronto, Ontario
February 17, 1978

Consolidated Balance Sheets

December 31, 1977 and 1976

Assets

	1977	1976
CURRENT ASSETS:		
Cash and deposit receipts	\$ 382,860	\$ 377,736
Receivables (Note 2)	5,101,468	4,360,955
Inventories (Note 2)	8,966,386	8,355,914
Prepaid expenses	222,865	144,091
Total current assets	<u>\$14,673,579</u>	<u>\$13,238,696</u>
PROPERTY, PLANT AND EQUIPMENT, at cost (Notes 2 and 3):		
Land	\$ 90,745	\$ 90,745
Buildings	2,630,093	2,541,876
Equipment	2,877,003	3,027,824
Leasehold improvements	91,283	359,665
	<u>\$ 5,689,124</u>	<u>\$ 6,020,110</u>
Less — Accumulated depreciation and amortization	2,630,975	2,845,197
	<u>\$ 3,058,149</u>	<u>\$ 3,174,913</u>
	<u><u>\$17,731,728</u></u>	<u><u>\$16,413,609</u></u>

Approved by the Board:
(Signed) G. Clever, Director
(Signed) D.L. Sinclair, Director

Liabilities

CURRENT LIABILITIES:

Bank advances (Note 2)	\$ 908,314	\$ 1,311,885
Payables and accrued liabilities	3,939,507	3,538,809
Income taxes	584,054	70,851
Current portion of long-term debt (Note 3)	4,000	424,000
Total current liabilities	\$ 5,435,875	\$ 5,345,545

LONG-TERM DEBT, less current portion (Notes 2 and 3)

— 304,000

DEFERRED INCOME TAXES

195,800 266,250

SHAREHOLDERS' EQUITY, per accompanying statements

12,100,053 10,497,814

\$17,731,728 \$16,413,609

\$ 7.27 \$ 6.31

Tangible equity per issued common share

The accompanying notes to consolidated financial statements are an integral part of these balance sheets.

Consolidated Statements of Shareholders' Equity

For the years ended December 31, 1977 and 1976

CAPITAL STOCK (Notes 4 and 7):

Authorized — 3,000,000 Class A Common Shares and 3,000,000 Class B Common Shares without nominal or par value

Issued — 586,330 Class A and 1,078,050 Class B Common Shares
(1976 — 586,530 and 1,077,650 respectively)

CONTRIBUTED SURPLUS:

Balance, beginning of year

Add — Excess of issue price over par value of common shares (Note 7)

Balance, end of year

RETAINED EARNINGS:

Balance, beginning of year

Add — Net income for the year

Deduct —

Tax-deferred dividends (1977 — 29.9¢; 1976 — 27.675¢)

Taxable dividends (1977 — 34¢; 1976 — 17¢)

Tax paid on portion of 1971 undistributed income on hand
of the Company and certain subsidiaries, net

Balance, end of year (Note 6)

SHAREHOLDERS' EQUITY

The accompanying notes to consolidated financial statements are an integral part of these statements.

1977	1976
<u>\$ 1,665,660</u>	<u>\$ 1,664,940</u>
\$ 97,524	\$ 87,924
<u>—</u>	<u>9,600</u>
<u>\$ 97,524</u>	<u>\$ 97,524</u>
\$ 8,735,350	\$ 7,011,881
<u>2,112,179</u>	<u>2,249,786</u>
<u>\$10,847,529</u>	<u>\$ 9,261,667</u>
\$ 312,207	\$ 375,546
198,570	99,619
<u>\$ 510,777</u>	<u>\$ 475,165</u>
(117)	51,152
<u>\$ 510,660</u>	<u>\$ 526,317</u>
<u>\$10,336,869</u>	<u>\$ 8,735,350</u>
<u>\$12,100,053</u>	<u>\$10,497,814</u>

Consolidated Statements of Changes in Financial Position

For the years ended December 31, 1977 and 1976

	1977	1976
WORKING CAPITAL , beginning of year	<u>\$ 7,893,151</u>	<u>\$ 6,039,153</u>
SOURCE OF FUNDS:		
Operations —		
Income before extraordinary item	\$ 2,042,629	\$ 2,325,529
Charges not requiring an outlay of funds —		
Depreciation and amortization	352,817	389,992
Increase (decrease) in deferred income taxes	(23,200)	54,000
	<u>\$ 2,372,246</u>	<u>\$ 2,769,521</u>
Disposition of subsidiary, net of funds of subsidiary sold (Note 5)	223,894	—
Sale of long-term investment, net (Note 5)	—	2,018,573
Issue of common shares (Note 7)	720	17,460
	<u>\$ 2,596,860</u>	<u>\$ 4,805,554</u>
APPLICATION OF FUNDS:		
Additions to property, plant and equipment, net	\$ 437,647	\$ 313,739
Decrease in long-term debt	304,000	2,111,500
Taxable and tax-deferred dividends plus tax paid on portion of 1971 undistributed income on hand, net	510,660	526,317
	<u>\$ 1,252,307</u>	<u>\$ 2,951,556</u>
	<u>\$ 1,344,553</u>	<u>\$ 1,853,998</u>
WORKING CAPITAL , end of year	<u><u>\$ 9,237,704</u></u>	<u><u>\$ 7,893,151</u></u>

The accompanying notes to consolidated financial statements are an integral part of these statements.

Notes

TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 1977 and 1976

1. SIGNIFICANT ACCOUNTING POLICIES AND PRACTICES

(a) Principles of Consolidation

The financial statements of Canadian Manoir Industries Limited (the "Company") are consolidated with those of its subsidiaries. All significant inter-company transactions have been eliminated in the consolidated financial statements.

(b) Translation

Translation of the balance sheet accounts of U.S. subsidiaries were made at the exchange rates prevailing at the year-end and at the average rates for the years for the income and expense accounts.

(c) Inventories

Inventories are valued at the lower of first-in, first-out cost or net realizable value.

(d) Depreciation and Amortization

Depreciation is provided using the straight-line method, based on the expected average useful lives of the buildings and equipment. The depreciation method of certain subsidiaries was changed from the declining balance to the straight-line method in 1977. The effect of this change is not material. Leasehold improvements are amortized on a straight-line basis over the terms of the respective leases.

(e) Income Taxes

Income taxes are provided for on the basis of accounting income and timing differences between accounting income and taxable income are reflected in Deferred Income Taxes. The Company accrues for withholding tax on foreign income as earned.

(f) Contingent Claims Receivable

Receivables on contingent claims are recognized only when the amounts of such claims have been confirmed.

(g) Earnings per Share

The earnings per share calculations are based on the weighted average of common shares outstanding at the end of each month during the years.

2. BANK ADVANCES

The Company's operating line of credit of \$4,750,000, bearing interest at the prime rate, is secured by certain receivables and inventories. The long-term bank loans, repaid during 1977, were similarly secured. The previously existing first floating charge debenture of \$6,000,000 securing bank loans was discharged in 1977. The Company has agreed not to hypothecate the property, plant and equipment of the Company and certain of its subsidiaries without formal approval of the bank.

3. LONG-TERM DEBT

	1977	1976
Payable by the Company:		
Bank loans —		
Bearing interest at 1½% in excess of prime bank rate, repayable in quarterly instalments of \$88,000	\$ —	\$616,000
Bearing interest at 1¼% in excess of prime bank rate, repayable in quarterly instalments of \$12,000	—	84,000
	<u>\$ —</u>	<u>\$700,000</u>
Payable by a Subsidiary:		
8.9% Loan from Federal Business Development Bank, payable in monthly instalments of \$2,000 plus interest	4,000	28,000
	<u>\$ 4,000</u>	<u>\$728,000</u>
Less — Current portion payable within one year	4,000	424,000
	<u>\$ —</u>	<u>\$304,000</u>

The loan from the Federal Business Development Bank is secured by certain assets of a subsidiary.

4. CAPITAL STOCK

Pursuant to Supplementary Letters Patent dated June 18, 1976, the prior 3,000,000 Common Shares of the par value of \$1 each, both issued and unissued, were changed into 3,000,000 Class A Common Shares without nominal or par value. Further, the authorized capital of the Company was increased by creating 3,000,000 Class B Common Shares without nominal or par value.

The Class A and the Class B Common Shares are freely inter-convertible. Holders of Class A Common Shares receive taxable dividends whereas holders of Class B Common Shares receive either taxable or equivalent tax-deferred dividends.

5. EXTRAORDINARY ITEM

In March, 1977, the Company sold a subsidiary, Eastern Sound Company Limited, and realized a non-taxable gain of \$69,550.

In 1976 the Company sold substantially all of its investment in Toromont Industries Ltd., giving rise to a loss of \$75,743. This loss was not reduced for any potential capital gains tax recovery, as such recovery is contingent upon the realization of future capital gains.

6. DIVIDEND RESTRICTIONS

In accordance with the Anti-Inflation Act Regulations, dividend payments by the Company during the year ending October 13, 1978 are restricted to maximum taxable dividend payments totalling 39.6¢ per share and an equivalent amount per share on a tax-deferred basis. On December 29, 1977, the Company paid a taxable dividend of 8.5¢ per share and a tax-deferred dividend of 7.225¢ per share.

7. EMPLOYEE BENEFIT PLANS

(a) Stock Option Plan

As of December 31, 1977, 2,000 Class A Common Shares at \$3.60 per share (1976 — 5,700 at \$3.60 per share) were reserved under a stock option plan for certain officers and employees of the Company and its subsidiaries. During 1977, 200 (1976 — 7,100) optioned shares were issued for a cash consideration of \$720 (1976 — \$17,460) and a total of 3,500 (1976 — 2,200) optioned shares were cancelled. Prior to June 18, 1976, when options were exercised, amounts received in excess of the par value of the common shares were credited to contributed surplus.

(b) Retirement Plan

The Company has a contributory retirement plan for certain officers and employees of the Company and its subsidiaries. In 1977 a provision of \$27,666 (1976 — \$26,703) was made for the current cost of the plan. As of December 31, 1977 and 1976, there was no unfunded past service liability with respect to the plan.

8. COMMITMENTS

Commitments for plant and equipment expenditures amounted to approximately \$1,000,000 at December 31, 1977.

9. REVENUE

Consolidated revenue is divided in the following proportions (Certain minor reclassifications have been made to the 1976 figures):

	1977	1976
Manufacturing	59%	65%
Trading	34	25
Service	7	10
	<u>100%</u>	<u>100%</u>

10. STATUTORY INFORMATION

The income statements include the following expenses:

	1977	1976
Interest:		
Long-term debt	\$ 45,793	\$182,198
Other, net	109,672	175,108
	<u>\$155,465</u>	<u>\$357,306</u>
Depreciation and amortization	<u>\$352,817</u>	<u>\$389,992</u>

Remuneration of Directors and Officers:

	As Directors		As Officers	
	Number	Remuneration	Number	Remuneration
1977	6	\$12,900	3	\$143,900
1976	5	\$12,900	3	\$144,103

Three (1976 — two) Officers were also Directors of the Company.



DIRECTORS

H.L. Beck, Q.C. Toronto
S.G. Bickley Montreal
J.S. Bull Toronto
Mrs. G. Clever Toronto
G. Grahamslaw Toronto
D.L. Sinclair Toronto

AUDIT COMMITTEE

J.S. Bull Toronto
G. Grahamslaw Toronto
D.L. Sinclair Toronto

OFFICERS

Mrs. G. Clever Chairman
of the Board
G. Grahamslaw President
J.D. Burton Vice-President,
Manufacturing and
Marketing
H.L. Beck, Q.C. Secretary

ANNUAL GENERAL MEETING

The Annual General Meeting
will be held in the Carmichael
Room of the Hotel Toronto,
at 4:00 p.m. on Monday,
May 8, 1978.

BANKERS

The Toronto-Dominion Bank Toronto
Chase Manhattan Bank New York

REGISTRAR

Canada Permanent Trust Company Toronto

TRANSFER AGENT

Canada Permanent Trust Company Toronto

LAWYERS

Davies, Ward & Beck Toronto
Byers, Casgrain, McNally, Dingle, Benn &
Lefebvre Montreal
Guggenheimer & Untermeyer New York

AUDITORS

Arthur Andersen & Co. Toronto

SHARE LISTING

The Class A and Class B Common Shares of
the Company are listed on the Toronto Stock
Exchange.

THE MANOIR GROUP

CANADIAN MANOIR INDUSTRIES LIMITED

MANUFACTURING

Duo-Matic/Olsen Inc.
General Freezer Limited

TRADING

Kates International Corporation Ltd.
Manoir International (Canada) Ltd.
Manoir International, Inc.
Maso Import

SERVICE

Atlas Customs Brokers Limited
Audio Image Communications
Comprehensive Distributors
Teleprint of Chicago, Inc.
Teleprint of Los Angeles, Inc.
Teleprint of New York, Inc.

